

Beal City Public Schools

Mt. Pleasant , Michigan

Annual Financial Statements

and

Auditors' Report

June 30, 2004

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Beal City Public Schools
Mt. Pleasant, Michigan
Members of the Board of Education and Administration
June 30, 2004

Members of the Board of Education

JOYCE SCHAFFER	PRESIDENT
TERRY HUTCHINSON	VICE PRESIDENT
MARK RAU	SECRETARY
JIM KREMSREITER	TREASURER
FRANK FOX	TRUSTEE
ROBERT PASCH	TRUSTEE
KAYE YUNKER	TRUSTEE

Administration

ROBERT KJOLHEDE	SUPERINTENDENT
JEFF JACKSON	HIGH SCHOOL PRINCIPAL
DIANE SALTARELLI	ELEMENTARY PRINCIPAL
JULIE FREEZE	BOOKKEEPER/SECRETARY

Independent Auditors' Report

To the Board of Education
Beal City Public Schools
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Beal City Public Schools as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Beal City Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Beal City Public Schools as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the School District has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 5, 2004, on our consideration of the Beal City Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Beal City Public Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Alma, Michigan

August 5, 2004

**Beal City Public School District
Administration's Discussion and Analysis
For the Year Ended June 30, 2004**

Beal City Public Schools (the District) Administration discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and its ability to address financial challenges in the years to come. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basics Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2004.

This is the first year of GASB 34 implementation. As a result the financial report is presented differently than previous years. The following is an outline of how this financial report is presented.

Section 3

MD&A

Administration's Discussion And Analysis
(required supplementary information - new)

Section 4

Basic Financial Statements

Fund Financial Statements
District – wide Financial Statements
(refocused)
Notes to financial statements
(expanded / restructured)

Section 5

Supplementary Information

Budgetary Comparison Schedule

Section 6

Other Supplementary Information

Combining Balance Sheets
Combining Statement of Revenues,
Expenditures and Changes in Fund
Balances
Statement of Bonded Indebtedness
Report on Compliance and on Internal
Control Over Financing Reporting

As noted above, Section 4 contains two basic types of financial statements: District Wide Financial Statements and Fund Financial Statements in accordance with GASB 34.

District Wide Financial Statements

The District wide financial statements are new and provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets, for this first time, combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

The Statement of Activities presents information showing how the school district's net assets changed during the fiscal year. To be consistent with full accrual basis accounting, all changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

The fund statements are similar to financial presentations of prior years, but the new focus is on the District's General Fund rather than other specific fund types as in the past. The fund statements are reported using the modified accrual method of accounting. Under this method of accounting, revenues are recorded when received or when they are measurable and expenditures are accounted for in the period those goods and services were used to provide school programs. In addition, capital asset purchases are expensed in totality in the year purchased and not recorded as an asset. Debt payments are recorded as expenditures when they are paid and future debt obligations are not recorded.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Fund, Capital Project Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived primarily from property taxes, state and federal distributions and grants. The Special Revenue Fund is comprised of Athletic Activities and Food Service. The Debt Fund is used to record the funding and payment of principal and interest on bonded debt. The Capital Project Fund is used to record the funding and payment of building construction and major site improvements. The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

Financial Analysis of the District as a Whole

Summary of Net Assets

Assets

Current assets	\$ 3,133,412
Capital assets	9,911,128
less accumulate d depreciation	<u>(2,586,210)</u>
Capital Assets, net book value	<u>7,324,918</u>
Total Assets	<u><u>\$ 10,458,330</u></u>

Liabilities

Current liabilities	\$ 786,201
Long-term liabilities	<u>6,744,556</u>
Total Liabilities	<u><u>\$ 7,530,757</u></u>

Net Assets

Total capital assets, net of related debt	\$ 367,202
Unrestricted	<u>2,560,371</u>
	<u><u>\$ 2,927,573</u></u>

Summary of Net Assets

As indicated by the statement above, total net assets are \$2,927,573 . Net assets can be separated into two categories: net capital assets net of related debt and unrestricted assets.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets is \$9,911,128, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is \$2,586,210. Most capital asset acquisitions are financed through long-term debt. Primarily, long-term debt is repaid as the debt service comes due through property taxes approved by the voters.

The remaining \$2,560,371 of net assets is unrestricted. The unrestricted fund balance is an accumulation of prior years' operating results. This balance is directly affected each year by the District's operating results.

Results of operations

	Amount	% of Total
Revenues		
Charges for Services	\$ 184,646	3.32%
Operating Grants and Contributions	635,618	11.45%
General Revenues	<u>4,733,683</u>	<u>85.23%</u>
Total Revenue	<u>5,553,947</u>	<u>100.00%</u>
Expenses		
Instruction	2,938,897	47.69%
Supporting services	1,634,567	26.53%
Food services	178,550	2.90%
Athletics	215,724	3.50%
Interest on long-term debt	520,069	8.43%
Capital outlay (noncapitalized)	368,871	5.99%
Depreciation - unallocated	<u>305,395</u>	<u>4.96%</u>
Total expenses	<u>6,162,073</u>	<u>100.00%</u>
Decrease in net assets	<u>\$ (608,126)</u>	

GASB 34 requires year to year comparisons, but since this is the first year of GASB 34 no comparison is required. This statement will have revenue and expense comparisons beginning in fiscal year 2005.

As indicated above net assets decreased by \$608,126. This decrease relates directly to the building of the Athletic Complex during the previous year. The majority of the expenses related to the Athletic Complex were recorded in the fiscal year ending June 2003. The Athletic Complex was still a work in progress during the 2002/2003 fiscal year and was recorded as an asset in a period different than the recording of the expenses.

Revenues

As indicated in the results of operations statement above, revenues are generated from local, state, federal, and interdistrict sources.

Local revenues are primarily made up of property tax to fund operating expenses and retire debt of previous bond issues. Local revenues also include grant awards from the Saginaw Chippewa Indian Tribe in the amount of \$201,641. Other sources of local revenue include fees and charges for services such as hot lunch, athletic gate receipts, and preschool and driver's education tuition.

State revenues account for the majority of the district's revenues and consist primarily of the per student foundation allowance. State revenues make up 86% of the district's total revenues. This ties the district directly to the overall economy of the State of Michigan.

Federal sources include Title grants in the General Fund and monies for the Food Service Fund.

Interdistrict sources of revenue consist of the County special education tax collected and distributed by the local Intermediate School District.

Property Taxes

A major portion of local revenue is provided from property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$557,494. This amount was obtained through a voter approved 17.3605 mill levy on the taxable value of non-homestead properties for the District's operation and a voter approved 7 mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments of bond issues.

TAXABLE VALUE HISTORY

YEAR	TAXABLE VALUE	GROWTH
1999	45,000,227	6.19%
2000	48,088,621	6.86%
2001	51,572,238	7.24%
2002	54,812,045	6.28%
2003	58,007,561	5.83%

State Aid Foundation Allowance

A significant portion of state funding to the District is received through the foundation allowance. The foundation allowance is funding from the state based on student enrollment. Student enrollment is blended at 80% of current year September count and 20% of prior year February count. The blended enrollment of Beal City Public Schools for 2003/2004 was 624.34 students. The State of Michigan establishes per student foundation allowance on an annual basis. The foundation allowance for the 2003/2004 school year was originally set at \$6,700. However, the State of Michigan announced in November of 2003 that state revenues were not meeting expectations. In response to the revenue shortfall the State did prorate the State Aid Foundation Allowance by \$74 per student.

Capital Assets and Debt Administration

Capital Assets

On June 20, 2004 the District had \$7,324,918 invested in a broad range of capital assets as illustrated below:

Assets

Land	\$ 194,145
Buildings and additions	6,776,644
Site improvements	1,695,840
Equipment and furniture	569,942
Buses and other vehicles	<u>674,557</u>
Subtotal	9,911,128
Less accumulated depreciation	<u>2,586,210</u>
Net Capital Assets	<u><u>\$ 7,324,918</u></u>

In 2001, Beal City Public School district voters approved a \$1,690,000 school building and site general obligation bond issue. The proceeds from that bond issue were used to construct an athletic complex. It is expected that the capital project will be complete before the end of the next fiscal year.

Long-term debt

At the end of the current fiscal year, the Beal City Public School district had total General Obligation Bonded debt outstanding of \$6,350,000. This consists of three bond issues: The 1996 bond issue for the addition to the high school, the 2002 bond issue for the athletic complex, and the 2004 refunding issue. The 2004 refunding issue was established this year when the district refunded the bonds issued in 1996, reducing the district's total debt service requirements by \$309,869. Other long term debt includes obligations to repay the school bond loan fund. This will be accomplished as the revenues provided by the debt millage exceed the debt service requirements.

General Fund Budgetary Highlights

Original vs. Actual Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

The district amended its budget twice during the 2003/2004 school year. For the fiscal year 2003-2004, the budget was amended in February 2004 and June 2004.

General Fund Revenues Budget vs. Actual Revenues

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Variance of final to actual
2003/2004	\$4,726,784	\$4,794,277	\$4,882,727	\$88,450

The District's actual general fund revenues were more than the final budget by \$88,450.

This can be attributed to a couple of "windfalls" the District received after the final budget was approved by the Board of Education in June. The most significant was an increase in State revenue for the Michigan School Readiness Program. Other increases included additional special education millage received from the Gratiot-Isabella RESD.

General Fund Expenditures Budget vs. Actual Expenditures

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Variance of final to actual
2003/2004	\$5,156,983	\$5,095,791	\$4,938,342	\$(157,499)

The District's General Fund expenditures were less than the final actual expenditure budget by \$157,499. Tribal grants received from the Saginaw Chippewa Indian Tribe are the main reason for the discrepancy in budgeted to actual expenditures. Many tribal grants were budgeted for, but not spent in the 2003/2004 fiscal year. Those tribal grant budget items remaining at the end of the 2003/2004 fiscal year will be carried over to the 2004/2005 budget.

Economic Factors and Next Year's Budgets and Rates

In June of 2004, the voters passed a renewal of the District's 17.3605 operating millage and an additional 1.5 mills to reduce the negative effects of the Headlee Rollback. Beal City Public Schools will be able to levy a full 18 mills of operating millage for the next few years. The additional millage will increase the General Fund operating revenue by more than \$5,000.

The District will be receiving a new Federal grant for Small Rural Schools in the 2004/2005 fiscal year in the amount of \$33,167.

The State has set the foundation allowance at \$6,700 for another year and if State revenues do not meet expectations the District may again be faced with a per student proration during the 2004/2005 fiscal year.

While the State Aid Foundation Allowance remains stagnant for another year, the district's expenditures still increase.

The Beal City Education Association ratified a contract in October of 2004. This two year contract calls for a salary increase of 2% for each of the next two years. The contract also calls for full payment by the Board of Education for health insurance coverage for the first year and a minimal contribution by the employee for the second year of the contract.

Health insurance premiums for 2004/2005 have increased by 15% - 18% for the various groups within our district that qualify for health insurance coverage.

Although final student count numbers for September 2004 have not yet been determined, the preliminary numbers indicate a stagnate or slight decline in the student enrollment.

Three full time and two part time positions were eliminated due to layoffs at the end of the 2003/2004 school year. After experiencing the effects of larger class sizes in the elementary, the Beal City Board of Education has authorized the rehiring of one of the full time positions eliminated at the end of the 2003/2004 school year.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the finances for the Beal City Public Schools for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Beal City Public Schools Central Office, 3117 Elias Drive, Mt. Pleasant, MI 48858

Beal City Public Schools
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash	\$ 2,296,869
Accounts receivable	14,011
Due from other governmental units	793,575
Inventory	693
Prepaid expenses	<u>28,264</u>
Total current assets	<u>3,133,412</u>
Noncurrent assets	
Capital assets	
Land	194,145
Buildings and additions	6,776,644
Site improvements	1,695,840
Equipment and furniture	569,942
Buses and other vehicles	674,557
Less: accumulated depreciation	<u>(2,586,210)</u>
Total noncurrent assets	<u>7,324,918</u>
Total assets	<u>10,458,330</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Statement of Net Assets
June 30, 2004

	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	\$ 50,246
1996 building and site bonds payable - current	175,000
2002 building and site bonds payable - current	50,000
2004 refinancing bonds payable - current	41,057
Accrued interest	40,969
Accrued expenditures	168,492
Accrued salaries payable	256,846
Deferred revenue	3,591
Total current liabilities	<u>786,201</u>
Noncurrent liabilities	
Compensated absences payable	52,897
2002 building and site bonds payable - long-term	1,555,000
2004 refinancing bonds payable - long-term	4,463,889
School bond loan fund	642,597
Durant payable	30,173
Total noncurrent liabilities	<u>6,744,556</u>
Total liabilities	<u>7,530,757</u>
Net Assets	
Invested in capital assets, net of related debt	367,202
Unrestricted	2,560,371
Total net assets	<u><u>\$ 2,927,573</u></u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Statement of Activities
For the Year Ended June 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs	Expenses				
Governmental activities					
Instruction	\$ 2,938,897	\$ 27,898	\$ 544,670	\$ -	\$ (2,366,329)
Supporting services	1,634,567	-	-	-	(1,634,567)
Food services	178,550	112,682	90,948	-	25,080
Athletics	215,724	44,066	-	-	(171,658)
Interest on long-term debt	520,069	-	-	-	(520,069)
Capital outlay (noncapitalized)	368,871	-	-	-	(368,871)
Depreciation - unallocated	305,395	-	-	-	(305,395)
4 - 3 Total governmental activities	<u>\$ 6,162,073</u>	<u>\$ 184,646</u>	<u>\$ 635,618</u>	<u>\$ -</u>	(5,341,809)
General revenues					
Property taxes, levied for general purposes					151,849
Property taxes, levied for debt service					405,645
State aid - unrestricted					3,919,346
Interest and investment earnings					28,151
Other					<u>228,692</u>
Total general revenues					<u>4,733,683</u>
Change in net assets					(608,126)
Net assets - beginning					<u>3,535,699</u>
Net assets - ending					<u>\$ 2,927,573</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Balance Sheet - Governmental Funds
June 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 2,144,733	\$ 152,136	\$ 2,296,869
Accounts receivable	13,746	265	14,011
Due from other funds	-	15,621	15,621
Due from other governmental units	792,064	1,511	793,575
Inventory	-	693	693
Prepaid expenditures	28,264	-	28,264
	<u>2,978,807</u>	<u>170,226</u>	<u>3,149,033</u>
Total assets	<u>\$ 2,978,807</u>	<u>\$ 170,226</u>	<u>\$ 3,149,033</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 47,336	\$ 2,910	\$ 50,246
Due to other funds	15,621	-	15,621
Accrued expenses	166,883	1,609	168,492
Accrued salaries payable	256,846	-	256,846
Deferred revenue	-	3,591	3,591
	<u>486,686</u>	<u>8,110</u>	<u>494,796</u>
Total liabilities	<u>486,686</u>	<u>8,110</u>	<u>494,796</u>
Fund Balance			
Reserved for inventory	-	693	693
Reserved for prepaids	28,264	-	28,264
Reserved for programs	73,638	-	73,638
Reserved for grants	141,347	-	141,347
Reserved for debt service	-	59,652	59,652
Reserved for capital projects	-	4,726	4,726
Other undesignated	2,248,872	97,045	2,345,917
	<u>2,492,121</u>	<u>162,116</u>	<u>2,654,237</u>
Total fund balance	<u>2,492,121</u>	<u>162,116</u>	<u>2,654,237</u>
Total liabilities and fund balance	<u>\$ 2,978,807</u>	<u>\$ 170,226</u>	<u>\$ 3,149,033</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
June 30, 2004

Total fund balances for governmental funds	\$	2,654,237
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Those assets consist of:

Land	\$	194,145
Buildings and additions		6,776,644
Site improvements		1,695,840
Equipment and furniture		569,942
Buses and other vehicles		674,557
Less: accumulated depreciation		<u>(2,586,210)</u>
		7,324,918

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Current-term liabilities balances as of June 30, 2004 are as follows:

4 - 5

1996 Building and site bonds payable	(175,000)	
2002 Building and site bonds payable	(50,000)	
2004 Refunding bonds payable	(45,000)	
Accrued interest payable	<u>(40,969)</u>	(310,969)

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities balances as of June 30, 2004 are as follows:

Compensated absences payable	(52,897)	
2002 Building and site bonds payable	(1,555,000)	
2004 Refunding bonds payable	(4,459,946)	
School Bond Loan Fund	(642,597)	
Durant payable	<u>(30,173)</u>	<u>(6,740,613)</u>

Net assets of governmental activities	\$	<u>2,927,573</u>
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Beal City Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 418,711	\$ 573,436	\$ 992,147
State sources	4,216,446	11,966	4,228,413
Federal sources	75,482	78,982	154,463
Interdistrict sources	<u>172,088</u>	<u>-</u>	<u>172,088</u>
Total revenues	<u>4,882,727</u>	<u>664,384</u>	<u>5,547,111</u>
Expenditures			
Current			
Education			
Instruction	2,928,052	-	2,928,052
Supporting services	1,629,226	-	1,629,226
Food services	-	178,550	178,550
Athletics	-	215,724	215,724
Capital outlay	191,497	194,983	386,480
Debt service	<u>-</u>	<u>404,474</u>	<u>404,474</u>
Total expenditures	<u>4,748,775</u>	<u>993,731</u>	<u>5,742,506</u>
Excess (deficiency) of revenues over expenditures	<u>133,952</u>	<u>(329,347)</u>	<u>(195,395)</u>
Other financing sources (uses)			
Transfers in	-	197,038	197,038
Transfers out	(189,567)	(7,471)	(197,038)
Debt proceeds	-	116,650	116,650
Proceeds from refunding bonds	-	4,576,836	4,576,836
Payment to refund debt escrow agent	-	(4,607,975)	(4,607,975)
Refunding issuance costs	<u>-</u>	<u>(67,025)</u>	<u>(67,025)</u>
Total other financing sources (uses)	<u>(189,567)</u>	<u>208,053</u>	<u>18,486</u>
Net change in fund balance	(55,615)	(121,294)	(176,909)
Fund balance - beginning	<u>2,547,736</u>	<u>283,410</u>	<u>2,831,146</u>
Fund balance - ending	<u>\$ 2,492,121</u>	<u>\$ 162,116</u>	<u>\$ 2,654,237</u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2004

Net change in fund balances - total governmental funds	\$	(176,909)
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Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(305,395)	
Capital outlay	<u>17,609</u>	(287,786)

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund
balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the
statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the
liability in the statement of net assets.

Proceeds of refunding bond and school bond loan fund	(4,686,650)	
Payment to refunded bond escrow agent	4,450,000	
Repayments of long-term debt	<u>50,000</u>	(186,650)

Some expenses reported in the statement of activities do not require the use of current financial resources and
therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	(16,186)	
Change in refunding issuance cost	65,054	
Change in accrued interest on bonds	<u>(5,649)</u>	<u>43,219</u>

Change in net assets of governmental activities	\$	<u><u>(608,126)</u></u>
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Beal City Public Schools
Statement of Fiduciary Net Assets
June 30, 2004

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash	\$ 201	\$ 80,168
Liabilities		
Due to student groups	-	80,168
Net assets		
Reserved for scholarships and loans	\$ 201	\$ -

See Accompanying Notes to Financial Statements

Beal City Public Schools
Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Funds
Year Ended June 30, 2004

	<u>Private Purpose Trust Funds</u>
Additions	
Contributions	\$ 150
Deductions	
Awards	<u> 1,124</u>
Change in net assets	(974)
Net assets - beginning	<u> 1,175</u>
Net assets - ending	<u><u> \$ 201</u></u>

See Accompanying Notes to Financial Statements

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Beal City Public Schools conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, and interest income, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. The annual operating surplus or deficit generated by these activities is generally transferred to or from the General Fund.

Debt Service Fund – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The Building and Site Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs.

Fiduciary Funds – Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes. Trust funds are used to account for funds entrusted by the School District and the principal, or corpus, of the trust and the income produced are expendable.

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

Assets, Liabilities and Equity

Deposits and Investments – Cash includes cash on hand, demand deposits and short term investments with a maturity of three months or less when acquired. Certificates of deposit are stated at cost which approximates fair value. No investments existed at year end

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other trades receivable are shown net of an allowance for uncollectible amounts. Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2004, the General Fund rate was 17.3605 per \$1,000 of non-homestead assessed value.

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before July 31. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by Isabella County and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventory type items are recorded as expenditures in the General Fund at the time the items are placed into service. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Compensated Absences – Retiring teachers are paid four (4) percent of the teacher's current annual salary, provided the teacher has been employed in the school district for at least ten (10) years. The estimated contingent liability including employment taxes for these benefits at June 30, 2004 is \$ 52,897. This liability is measured using the Termination Method as described in GASB Statement 16.

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

Sick days are earned by teachers at the rate of ten (10) days per year. A maximum of one hundred eighty-three (183) unused sick days may be accumulated. Upon retirement or termination of employment, unused sick days are paid at 50% of the sub rate up to 100 days. There is no contractual provision for payment of unused personal days. The current portion of any accrued sick or personal pay cannot be reasonably estimated and, as such, is not included as a current liability.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the School District's financial statements.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Economic Dependency

The School District received approximately 86% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source, the School District is considered to be economically dependent on the Michigan Department of Education.

Concentrations

Approximately 51% of the School District's employees work under collective bargaining agreements. Unions whose existing agreements expired on June 30, 2004 represent 100% of these employees.

Accounting Change

Effective July 1, 2003, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. Changes to the financial statements as a result of GASB No. 34 are as follows:

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

A Management Discussion and Analysis (MD&A) section providing an analysis of the School District's overall financial position and results of operations has been included.

District-wide financial statements prepared using full accrual accounting for all of the School District's activities has been provided.

Capital assets in the governmental activities column of the statement of net assets includes capital assets net of depreciation totaling \$ 7,612,704 not reported previously, reflect the historical cost of the School District's capital assets at July 1, 2003. In addition, the governmental activities column includes bonds and other long-term obligations totaling \$ 6,856,188 all of which was previously reported in the General Long-term Debt Account Group.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

Compliance Bond Proceeds

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the 2003 and 2004, Capital Project Funds from the inception of the funds through the current fiscal year:

	<u>2003</u>	<u>2004</u>
Revenues	\$ 454,478	\$ 5,886
Expenditures	1,750,793	184,292

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

At June 30, 2004, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	<u>\$ 2,296,869</u>	<u>\$ 80,369</u>	<u>\$ 2,377,238</u>

The deposits of the School District were reflected in the accounts of financial institutions at \$ 2,398,570 of which \$ 100,000 is covered by federal depository insurance.

At June 30, 2004, the School District did not hold any investments.

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

NOTE 4 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Assets not being depreciated				
Land	\$ 194,145	\$ -	\$ -	\$ 194,145
Construction in progress	1,575,235	-	(1,575,235)	-
Other capital assets				
Buildings and improvements	6,776,644	-	-	6,776,644
Site improvements	113,535	1,582,305	-	1,695,840
Buses and other vehicles	716,638	-	(42,081)	674,557
Equipment	559,403	10,539	-	569,942
Subtotal	<u>9,935,600</u>	<u>1,592,844</u>	<u>(1,617,316)</u>	<u>9,911,128</u>
Accumulated depreciation				
Buildings and improvements	(1,572,900)	(135,533)	-	(1,708,433)
Site improvements	(2,788)	(84,746)	-	(87,534)
Buses and other vehicles	(481,172)	(46,883)	42,081	(485,974)
Equipment	(266,036)	(38,233)	-	(304,269)
Subtotal	<u>(2,322,896)</u>	<u>(305,395)</u>	<u>42,081</u>	<u>(2,586,210)</u>
Net capital assets	<u>\$ 7,612,704</u>	<u>\$ 1,287,449</u>	<u>\$ (1,575,235)</u>	<u>\$ 7,324,918</u>

Depreciation for the fiscal year ended June 30, 2004, amounted to \$ 305,395. The School District determined that was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS

Individual interfund receivable and payable balances at June 30, 2004, were:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>	<u>Purpose</u>
General Fund	\$ -	\$ 15,621	State aid received into the General Fund but not transferred until after year end to the food service fund.
Food Service Fund	<u>15,621</u>	<u>-</u>	State aid due from the General Fund that was not transferred until after year end.
	<u>\$ 15,621</u>	<u>\$ 15,621</u>	

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year ended June 30, 2004, between the General Fund, Athletic Fund, and the 1996 and 2002 Debt Funds totaling \$ 197,038. These transfers were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities.

NOTE 6 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ -	\$ 3,591
Total	<u>\$ -</u>	<u>\$ 3,591</u>

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

NOTE 7 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 6,280,000	\$ 4,570,000	\$ 4,500,000	\$ 6,350,000	\$ 270,000
Refunding issuance costs	-	(67,025)	(1,971)	(65,054)	(3,943)
Other bonds	30,173	-	-	30,173	-
School Bond Loan Fund	509,304	133,293	-	642,597	-
Compensated absences	<u>36,711</u>	<u>16,186</u>	<u>-</u>	<u>52,897</u>	<u>-</u>
Total	<u>\$ 6,856,188</u>	<u>\$ 4,652,454</u>	<u>\$ 4,498,029</u>	<u>\$ 7,010,613</u>	<u>\$ 266,057</u>

General obligation bonds payable at June 30, 2004, consists of the following:

1996 Building and Site Bonds due in annual installments of \$175,000 through May 1, 2005, interest at 4.625%	175,000
2002 Building and Site Bonds due in annual installments of \$50,000 to \$ 80,000 through May 1, 2027, interest at 4.125% to 5.100%	1,605,000
2004 Refunding Issue due in annual installments of \$ 45,000 to \$ 305,000 through May 1, 2021, interest at 2.000% to 4.100%	<u>4,570,000</u>
Total general obligation bonded debt	<u>\$ 6,350,000</u>

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

Future principal and interest requirements for bonded debt is as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 270,000	\$ 238,214	\$ 508,214
2006	280,000	225,062	505,062
2007	295,000	218,337	513,337
2008	310,000	211,312	521,312
2009	325,000	202,687	527,687
2010-2014	1,785,000	849,803	2,634,803
2015-2019	1,870,000	505,102	2,375,102
2020-2024	975,000	156,892	1,131,892
2025-2027	<u>240,000</u>	<u>24,480</u>	<u>264,480</u>
	<u>\$ 6,350,000</u>	<u>\$ 2,631,889</u>	<u>\$ 8,981,889</u>

The general obligation bonds are payable from the Debt Service Funds. As of June 30, 2004, the fund had a balance of \$ 59,652 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$47,228 Durant Refunding serial bonds due in annual installments of \$ 2,286 to \$ 10,924 through May 15, 2013, interest at 4.76%	<u>\$ 30,173</u>
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These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

	Principal	Interest	Total
2006	\$ 2,286	\$ 1,030	\$ 3,316
2007	10,924	4,726	15,650
2008	2,509	808	3,317
2009	2,628	688	3,316
2010	2,753	563	3,316
2011-2013	<u>9,073</u>	<u>878</u>	<u>9,951</u>
	<u>\$ 30,173</u>	<u>\$ 8,693</u>	<u>\$ 38,866</u>

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

State School Bond Loan

The state School bond loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District borrowed \$ 116,650 and had an outstanding balance at June 30, 2004 of \$ 642,597, which includes \$103,706 of interest, from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences

Accrued compensated absences at June 30, 2004, consists of \$ 29,892 of termination pay and \$ 23,005 in accrued sick time benefits.

Advance Refunding

On April 26, 2004, the School District issued general obligation bonds of \$ 4,570,000 (par value) with an interest rate of 2.000% to 4.100% to advance refund term bonds with an interest rate of 5.000% to 6.875% and a par value of \$ 5,500,000. The term bonds mature on May 1, 2021. The general obligation bonds were issued at a premium and after paying issuance costs of \$ 67,025, the net proceeds were \$ 4,558,628. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments until the term bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the School District's financial statements.

As a result of the advance refunding, the School District reduced its total debt service requirements by \$ 309,869, which resulted in an economic gain of \$ 230,397.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$ 31,139. This amount, together with the issuance costs, is reported in the accompanying statement of net assets as a reduction of bonds payable and is being charged to activities through fiscal year 2021.

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. For the year ended June 30, 2004, the School District has paid \$ 2,949 in unemployment compensation claims.

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

The School District participates in a self-insurance program through the School Employers Group. This program provides substantially all the insurance needs of the School District, including property, general liability, automobile, umbrella and worker's compensation. Payments made for the year ended June 30, 2004, were \$ 8,624. The possibility of additional claims exists but the amount of liability to the School District would be immaterial by the time the aggregate stop-loss coverages are triggered. There also is a possibility of a refund due the School District. Therefore, no contingent liabilities nor assets have been recognized on the School District's financial statements for the year ended June 30, 2004.

NOTE 9 - DEFINED BENEFIT PENSION PLAN

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to:

Office of Retirement Services
P.O. Box 30171
Lansing, Michigan 48909-7671
800-381-5111

Funding Policy

The School is required by State statute to contribute to MPERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPERS funding for the three-year period beginning July 1, 2001 through June 30, 2004.

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

	<u>Year Ended June 30.</u>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Funding Percentage Range	12.99%	12.17%-12.99%	12.16-12.17%
Total school payroll	\$ 2,788,728	\$ 2,714,617	\$ 2,604,832
Total covered payroll	2,692,648	2,580,907	2,556,837
School contributions	350,650	330,233	311,103
Employee MIP contributions	82,505	85,453	82,674
Portion of school contribution covering health, dental and vision benefits	47%	47%	46%

Trend Information

Ten-year historical trend information is presented in the September 30, 2003, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2002, the latest date for which information is available, approximates \$ 42 billion and \$ 38.4 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2003.

Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2003, statewide expenditures of \$ 606.7 million were recognized for post-retirement health care, dental and vision. This represented approximately 21% of the total expenditures of the Michigan Public School Employees Retirement System.

NOTE 10 - FUND EQUITY

Specific reservations on fund equity include:

Reserved for scholarships – This reserve was created to restrict the use of resources donated for scholarships. The restriction is mandated by donor agreement.

Reserved for programs – This reserve represents excess funding for programs in which legal or contractual requirements specify that the use of program revenue is restricted to a particular program.

Beal City Public Schools
Notes to Financial Statements
June 30, 2004

Reserved for debt service – This reserve was created to segregate a portion of the fund balance account for debt service, including both principal payments and interest payments. The reservation was established to satisfy legal restrictions imposed by various bond agreements.

Reserved for capital projects– This reserve represents unused school building and site improvement bond proceeds and interest earned on investment of those proceeds restricted for a new construction and improvement of facilities.

Reserved for prepaids – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

Reserved for inventory - This reserve was created to indicate that the portion of fund balance represented by inventory is not available for appropriation.

Reserved for grants – This reserve represents unspent grants for which the funding source has not specified that the grant award must be spent in a particular grant period but has specified a particular use for which the award must be expended.

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Beal City Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local	\$ 225,067	\$ 411,621	\$ 418,711	\$ 7,090
State	4,205,033	4,142,354	4,216,446	74,092
Federal	103,926	75,302	75,482	180
Interdistrict	<u>192,758</u>	<u>165,000</u>	<u>172,088</u>	<u>7,088</u>
Total revenues and other sources	<u>4,726,784</u>	<u>4,794,277</u>	<u>4,882,727</u>	<u>88,450</u>
Expenditures				
Instruction				
Basic programs	2,315,232	2,202,439	2,176,976	25,463
Added needs	606,939	617,661	609,672	7,989
Adult and continuing education	147,850	143,251	141,404	1,847
Supporting services				
Pupil	118,101	125,946	124,823	1,123
Instructional staff	105,767	102,882	90,468	12,414
General administration	193,677	181,623	181,207	416
School administration	359,426	358,452	356,195	2,257
Business	123,635	118,247	115,487	2,760
Operations and maintenance	507,840	450,919	447,753	3,166
Pupil transportation	395,623	340,932	313,293	27,639
Capital outlay	-	268,685	191,497	77,188
Other uses - operating transfers	<u>282,893</u>	<u>184,754</u>	<u>189,567</u>	<u>(4,813)</u>
Total expenditures and other uses	<u>5,156,983</u>	<u>5,095,791</u>	<u>4,938,342</u>	<u>157,449</u>
Net change in fund balance	(430,199)	(301,514)	(55,615)	245,898
Fund balance - beginning	<u>2,547,736</u>	<u>2,547,736</u>	<u>2,547,736</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,117,537</u>	<u>\$ 2,246,222</u>	<u>\$ 2,492,121</u>	<u>\$ 245,898</u>

Beal City Public Schools
Other Supplemental Information
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2004

	<u>Nonmajor Special Revenue Funds</u>		<u>Nonmajor Debt Fund</u>	<u>Nonmajor Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Services</u>	<u>Athletics</u>			
Assets					
Cash	\$ 73,925	\$ 13,833	\$ 59,652	\$ 4,726	\$ 152,136
Inventory	693	-	-	-	693
Accounts receivable	-	265	-	-	265
Due from other funds	15,621	-	-	-	15,621
Due from other governmental units	<u>1,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,511</u>
Total assets	<u>\$ 91,750</u>	<u>\$ 14,098</u>	<u>\$ 59,652</u>	<u>\$ 4,726</u>	<u>\$ 170,226</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 2,905	\$ 5	\$ -	\$ -	\$ 2,910
Accrued expenses	1,609	-	-	-	1,609
Deferred revenue	<u>3,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,591</u>
Total liabilities	<u>8,105</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>8,110</u>
Fund Balance					
Reserved for inventory	693	-	-	-	693
Reserved for debt service	-	-	59,652	-	59,652
Reserved for capital projects	-	-	-	4,726	4,726
Undesignated	<u>82,952</u>	<u>14,093</u>	<u>-</u>	<u>-</u>	<u>97,045</u>
Total fund balance	<u>83,645</u>	<u>14,093</u>	<u>59,652</u>	<u>4,726</u>	<u>162,116</u>
Total liabilities and fund balance	<u>\$ 91,750</u>	<u>\$ 14,098</u>	<u>\$ 59,652</u>	<u>\$ 4,726</u>	<u>\$ 170,226</u>

Beal City Public Schools
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balance -
Nonmajor Governmental Funds
Year Ended June 30, 2004

	<u>Nonmajor Special Revenue Funds</u>		<u>Nonmajor Debt Fund</u>	<u>Nonmajor Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Services</u>	<u>Athletics</u>			
Revenues					
Local	\$ 114,099	\$ 46,725	\$ 406,726	\$ 5,886	\$ 573,436
State	11,966	-	-	-	11,966
Federal	<u>78,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,982</u>
Total revenues and other sources	<u>205,047</u>	<u>46,725</u>	<u>406,726</u>	<u>5,886</u>	<u>664,384</u>
Expenditures					
Food services	178,550	-	-	-	178,550
Athletics	-	215,724	-	-	215,724
Debt service	-	-	404,474	-	404,474
Capital outlay	<u>3,474</u>	<u>7,217</u>	<u>-</u>	<u>184,292</u>	<u>194,983</u>
Total expenditures	<u>182,024</u>	<u>222,941</u>	<u>404,474</u>	<u>184,292</u>	<u>993,731</u>
Other Financing Sources (Uses)					
Interfund transfers in	-	189,567	7,471	-	197,038
Interfund transfers out	-	-	(7,471)	-	(7,471)
Debt proceeds	-	-	116,650	-	116,650
Proceeds from refunding bonds	-	-	4,576,836	-	4,576,836
Payment to refund debt escrow agent	-	-	(4,607,975)	-	(4,607,975)
Refunding issuance costs	<u>-</u>	<u>-</u>	<u>(67,025)</u>	<u>-</u>	<u>(67,025)</u>
Total other financing sources	<u>-</u>	<u>189,567</u>	<u>18,486</u>	<u>-</u>	<u>208,053</u>
Net change in fund balance	23,023	13,351	20,738	(178,406)	(121,294)
Fund balance - beginning	<u>60,622</u>	<u>742</u>	<u>38,914</u>	<u>183,132</u>	<u>283,410</u>
Fund balance - ending	<u>\$ 83,645</u>	<u>\$ 14,093</u>	<u>\$ 59,652</u>	<u>\$ 4,726</u>	<u>\$ 162,116</u>

Beal City Public Schools
General Fund
Comparative Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and equivalents	\$ 2,144,733	\$ 2,206,253
Accounts receivable	13,746	12,528
Prepaid expenses	28,264	26,226
Due from other governmental units	<u>792,064</u>	<u>748,330</u>
Total Assets	<u><u>\$ 2,978,807</u></u>	<u><u>\$ 2,993,337</u></u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 47,336	\$ 52,655
Due to other funds	15,621	6,327
Salaries payable	256,846	236,875
Accrued expenses	166,883	139,089
Deferred revenue	<u>-</u>	<u>10,655</u>
Total liabilities	<u>486,686</u>	<u>445,601</u>
Fund Balance		
Reserved for prepaids	28,264	-
Reserved for programs	73,638	101,767
Reserved for grants	141,347	79,037
Undesignated	<u>2,248,872</u>	<u>2,366,932</u>
Total fund balance	<u>2,492,121</u>	<u>2,547,736</u>
Total Liabilities and Fund Balance	<u><u>\$ 2,978,807</u></u>	<u><u>\$ 2,993,337</u></u>

Beal City Public Schools
General Fund
Comparative Statement of Revenues
For the Year Ended June 30, 2004 and 2003

	2004	2003
Revenue from local sources		
Property tax levy	\$ 151,849	\$ 135,749
Tuition and transportation	27,898	21,439
Earnings from investments and deposits	26,046	39,344
Other local revenues	212,918	89,998
Total revenue from local sources	418,711	286,530
Revenue from state sources		
Grants - unrestricted		
State school aid	3,919,346	3,935,267
Grants - restricted		
Durant reimbursement	4,723	4,723
Adult education	34,854	51,053
At risk	60,316	56,425
Driver education	6,127	4,140
School readiness	66,000	26,400
Special education	114,425	110,201
Vocational education	-	2,785
Professional development	-	6,178
Summer school program	10,655	2,498
Total revenue from state sources	4,216,446	4,199,670
Revenue from federal sources		
Grants - restricted - received through the State		
Title I	46,008	72,290
Title II	23,109	25,191
Title V	498	510
Class size reduction	-	14,842
Medicaid administration	4,628	1,696
Grants - restricted - received through RESD		
Drug free schools	1,239	1,426
Total revenue from federal sources	75,482	115,955
Revenue from intermediate and local district sources		
County special education tax	172,088	166,875
Total revenue from intermediate and local district sources	172,088	166,875
Total revenues	\$ 4,882,727	\$ 4,769,030

Beal City Public Schools
General Fund
Comparative Statement of Expenditures
For the Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Instruction		
Basic programs		
Elementary		
Salaries	\$ 697,064	\$ 633,662
Employee benefits	320,108	262,002
Purchased services	4,636	21,726
Supplies and materials	35,550	37,570
Capital outlay	1,539	2,542
	<u>1,058,897</u>	<u>957,502</u>
High school		
Salaries	665,520	639,863
Employee benefits	320,638	284,500
Purchased services	6,444	4,627
Supplies and materials	55,018	42,590
Capital outlay	-	6,985
	<u>1,047,620</u>	<u>978,565</u>
Pre-school		
Salaries	57,508	56,977
Employee benefits	13,962	19,360
Purchased services	214	-
Supplies and materials	314	1,253
Capital outlay	-	22,199
	<u>71,998</u>	<u>99,789</u>
Added needs		
Special education		
Salaries	172,495	149,923
Employee benefits	51,019	54,547
Purchased services	551	-
Supplies and materials	2,483	2,508
Other	-	551
Capital outlay	92	-
	<u>226,640</u>	<u>207,529</u>
Compensatory education		
Salaries	111,483	111,424
Employee benefits	53,058	51,651
Supplies and materials	1,341	3,504
	<u>165,882</u>	<u>166,579</u>

Beal City Public Schools
General Fund
Comparative Statement of Expenditures
For the Year Ended June 30, 2004 and 2003

	2004	2003
Vocational education		
Salaries	\$ 35,414	\$ 38,089
Employee benefits	20,017	17,895
Supplies and materials	1,237	2,968
Other	154,690	133,464
	<u>211,358</u>	<u>192,416</u>
Other added needs		
Salaries	3,311	6,413
Employee benefits	695	1,272
Supplies and materials	1,878	424
	<u>5,884</u>	<u>8,109</u>
Adult education		
Salaries	39,251	25,000
Employee benefits	16,824	10,113
Purchased services	4,701	5,471
Supplies and materials	2,194	2,092
Capital outlay	14	-
	<u>62,984</u>	<u>42,676</u>
Alternative education		
Salaries	44,131	57,565
Employee benefits	23,937	31,773
Purchased services	4,792	5,691
Supplies and materials	5,574	2,676
Capital outlay	14	-
	<u>78,448</u>	<u>97,705</u>
Total Instruction	<u>2,929,711</u>	<u>2,750,870</u>
Supporting Services		
Pupil		
Guidance services		
Salaries	81,780	76,753
Employee benefits	40,910	37,141
Purchased services	-	927
Supplies and materials	2,133	1,139
Capital outlay	-	166
	<u>124,823</u>	<u>116,127</u>

Beal City Public Schools
General Fund
Comparative Statement of Expenditures
For the Year Ended June 30, 2004 and 2003

	2004	2003
Instructional staff		
Improvement of instruction		
Salaries	\$ -	\$ 3,388
Employee benefits	5	632
Purchased services	9,816	14,284
Supplies and materials	1,623	3,549
	<u>11,444</u>	<u>21,853</u>
Library		
Salaries	52,278	49,538
Employee benefits	16,282	16,196
Purchased services	3,105	44
Supplies and materials	7,359	15,978
Capital outlay	9,029	-
	<u>88,053</u>	<u>81,756</u>
Audiovisual		
Purchased services	-	3,282
Supplies and materials	-	376
Capital outlay	-	1,150
	<u>-</u>	<u>4,808</u>
General administration		
Board of education		
Salaries	3,305	3,005
Employee benefits	11	9
Purchased services	30,501	27,800
Other	20,816	13,989
	<u>54,633</u>	<u>44,803</u>
Executive administration		
Salaries	88,933	86,430
Employee benefits	32,323	30,290
Purchased services	4,305	3,917
Supplies and materials	799	1,311
Other	214	1,932
	<u>126,574</u>	<u>123,880</u>

Beal City Public Schools
General Fund
Comparative Statement of Expenditures
For the Year Ended June 30, 2004 and 2003

	2004	2003
School administration		
Office of the principal		
Salaries	\$ 176,655	\$ 167,591
Employee benefits	80,057	76,660
Purchased services	6,047	4,629
Supplies and materials	10,501	12,751
Capital outlay	691	-
Other	3,853	4,922
	<u>277,804</u>	<u>266,553</u>
Technology director		
Salaries	52,750	50,974
Employee benefits	24,870	22,299
Purchased services	1,462	1,463
Capital outlay	5,961	79,164
	<u>85,043</u>	<u>153,900</u>
Fiscal services		
Salaries	53,203	51,653
Employee benefits	36,139	32,678
Purchased services	2,223	2,711
Supplies and materials	102	391
Capital outlay	56	20
	<u>91,723</u>	<u>87,453</u>
Other business services		
Purchased services	22,877	22,757
Other	943	779
	<u>23,820</u>	<u>23,536</u>
Operation and maintenance of plant		
Salaries	149,610	152,731
Employee benefits	54,333	57,836
Purchased services	231,948	272,008
Supplies and materials	11,608	12,969
Capital outlay	1,382	8,534
Other	254	785
	<u>449,135</u>	<u>504,863</u>
Pupil transportation services		
Salaries	98,970	103,783
Employee benefits	142,920	118,559
Purchased services	21,362	11,359
Supplies and materials	50,041	52,170
Capital outlay	52,347	-
	<u>365,640</u>	<u>285,871</u>
Building Improvements service		
Capital outlay	120,372	-
	<u>120,372</u>	<u>-</u>
Total Supporting Services	<u>1,819,064</u>	<u>1,715,403</u>

Beal City Public Schools
General Fund
Comparative Statement of Expenditures
For the Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Other Financing Uses		
Intergovernmental payments	\$ -	\$ 35,504
Fund modification		
Athletic Fund	189,567	194,667
Capital Projects Fund	<u>-</u>	<u>394,507</u>
Total Other Financing Uses	<u>189,567</u>	<u>624,678</u>
Total Expenditures and Other Financing Uses	<u><u>\$ 4,938,342</u></u>	<u><u>\$ 5,090,950</u></u>

Beal City Public Schools
Special Revenue Funds
Combining Balance Sheet
June 30, 2004 with Comparative Totals for June 30, 2003

	2004			2003
	Food Service	Athletics	Total	Total
Assets				
Cash	\$ 73,925	\$ 13,833	\$ 87,758	\$ 58,443
Inventory	693	-	693	1,526
Accounts receivable	-	265	265	6,327
Due from other funds	15,621	-	15,621	-
Due from other governmental units	1,511	-	1,511	1,211
Total Assets	<u>\$ 91,750</u>	<u>\$ 14,098</u>	<u>\$ 105,848</u>	<u>\$ 67,507</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 2,905	\$ 5	\$ 2,910	\$ 2,821
Accrued Expenses	1,609	-	1,609	1,407
Deferred revenue	3,591	-	3,591	1,915
Total Liabilities	8,105	5	8,110	6,143
Fund Balance	<u>83,645</u>	<u>14,093</u>	<u>97,738</u>	<u>61,364</u>
Total Liabilities and Fund Balance	<u>\$ 91,750</u>	<u>\$ 14,098</u>	<u>\$ 105,848</u>	<u>\$ 67,507</u>

Beal City Public Schools
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2004 with Comparative Totals for June 30, 2003

	2004			2003
	Food Service	Athletics	Total	Total
Revenues				
Local sources	\$ 114,099	\$ 46,725	\$ 160,824	\$ 143,555
State sources	11,966	-	11,966	11,435
Federal sources	78,982	-	78,982	67,688
Total revenues	205,047	46,725	251,772	222,678
Expenditures				
Salaries	59,543	133,350	192,893	204,247
Employee benefits	12,594	39,735	52,329	55,368
Purchased services	1,654	16,289	17,943	3,314
Supplies and materials	104,337	7,997	112,334	112,919
Utilities / maintenance	-	-	-	1,503
Other expense	422	18,353	18,775	5,427
Capital outlay	3,474	7,217	10,691	10,005
Total expenditures	182,024	222,941	404,965	392,783
Other Financing Sources				
Incoming transfers - General Fund	-	189,567	189,567	194,667
Excess of revenues and other financing sources over expenditures	23,023	13,351	36,374	24,562
Fund Balance - July 1	60,622	742	61,364	36,802
Fund Balance - June 30	\$ 83,645	\$ 14,093	\$ 97,738	\$ 61,364

Beal City Public Schools
Debt Service Funds
Combining Balance Sheet
June 30, 2004 with Comparative Totals for June 30, 2003

	2004				
	1996 Debt Service	2002 Debt Service	2004 Debt Service	Total	2003
Assets					
Cash	<u>\$ 32,073</u>	<u>\$ 13,276</u>	<u>\$ 14,303</u>	<u>\$ 59,652</u>	<u>\$ 38,914</u>
Fund Balance					
Fund balance	<u>\$ 32,073</u>	<u>\$ 13,276</u>	<u>\$ 14,303</u>	<u>\$ 59,652</u>	<u>\$ 38,914</u>

Beal City Public Schools
Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2004 with Comparative Totals for June 30, 2003

		2004				
		1996	2002	2004	Total	2003
		Debt Service	Debt Service	Debt Service		
Revenues						
Local sources						
Property tax levy		\$ 303,005	\$ 102,640	\$ -	\$ 405,645	\$ 383,539
Interest revenue		804	273	4	1,081	2,139
Total revenues		<u>303,809</u>	<u>102,913</u>	<u>4</u>	<u>406,726</u>	<u>385,678</u>
Expenditures						
Redemption of principal		150,000	50,000	-	200,000	185,000
Interest on debt		124,941	79,225	-	204,166	322,457
Paying agent fees		175	125	-	300	600
Other		-	-	8	8	-
Total expenditures		<u>275,116</u>	<u>129,350</u>	<u>8</u>	<u>404,474</u>	<u>508,057</u>
Other Financing Sources (Uses)						
Interfund transfers in		-	-	7,471	7,471	-
Interfund transfers out		(7,471)	-	-	(7,471)	-
Debt proceeds		89,625	27,025	-	116,650	7,000
Proceeds from refunding bonds		-	-	4,576,836	4,576,836	-
Payment to refund debt escrow agent		(105,000)	-	(4,502,975)	(4,607,975)	-
Refunding issuance costs		-	-	(67,025)	(67,025)	-
Total other financing sources (uses)		<u>(22,846)</u>	<u>27,025</u>	<u>14,307</u>	<u>18,486</u>	<u>7,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses		5,847	588	14,303	20,738	(115,379)
Fund Balance - July 1		<u>26,226</u>	<u>12,688</u>	<u>-</u>	<u>38,914</u>	<u>154,293</u>
Fund Balance - June 30		<u>\$ 32,073</u>	<u>\$ 13,276</u>	<u>\$ 14,303</u>	<u>\$ 59,652</u>	<u>\$ 38,914</u>

Beal City Public Schools
Capital Projects Funds
Balance Sheet
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash	<u>\$ 4,726</u>	<u>\$ 183,132</u>
Fund Balance		
Reserved for capital outlay	<u>\$ 4,726</u>	<u>\$ 183,132</u>

Beal City Public Schools
Capital Projects Funds
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Gifts and bequests	\$ 5,329	\$ 41,903
Interest	<u>557</u>	<u>18,068</u>
Total revenues	<u>5,886</u>	<u>59,971</u>
Expenditures		
Capital outlay		
Buildings and additions	779	418,029
Equipment - non depreciable	11,511	-
Non-property expenditures	171,873	1,326,986
Other expenses	<u>129</u>	<u>5,778</u>
Total expenditures	<u>184,292</u>	<u>1,750,793</u>
Other Financing Sources		
Interfund transfer - general	<u>-</u>	<u>394,507</u>
Deficiency of revenues over expenditures	(178,406)	(1,296,315)
Fund Balance - July 1	<u>183,132</u>	<u>1,479,447</u>
Fund Balance - June 30	<u><u>\$ 4,726</u></u>	<u><u>\$ 183,132</u></u>

**Beal City Public Schools
Trust and Agency Funds
Combining Balance Sheet**

June 30, 2004 with Comparative Totals for June 30, 2003

	2004				2003
	Trust Funds			Agency Funds	
	Trustee Account Dan Pattison	David Mayes Memorial Fund	Carl D. Mayes Memorial Fund	Student Activity Funds	Total
					Total
Assets					
Cash and equivalents	\$ <u>-</u>	\$ <u>-</u>	\$ <u>201</u>	\$ <u>80,168</u>	\$ <u>80,369</u>
					\$ <u>56,645</u>
Liabilities and Fund Balance					
Due to student groups	\$ -	\$ -	\$ -	\$ 80,168	\$ 80,168
					\$ 55,270
Fund balance	<u>-</u>	<u>-</u>	<u>201</u>	<u>-</u>	<u>201</u>
					<u>1,375</u>
Total Liabilities and Fund Balance	\$ -	\$ -	\$ 201	\$ 80,168	\$ 80,369
					\$ 56,645

Beal City Public Schools
Private Purpose Trust Fund
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2004 with Comparative Totals for June 30, 2003

	2004				2003
	Trustee Account Dan Pattison	David Mayes Scholarship Fund	Carl D. Mayes Memorial Fund	Total	Total
Revenues					
Contributions	\$ -	\$ -	\$ 150	\$ 150	\$ -
Expenditures					
Awards	51	873	200	1,124	200
Deficiency of revenues over expenditures	(51)	(873)	(50)	(974)	(200)
Fund Balance - July 1	51	873	251	1,175	1,375
Fund Balance - June 30	\$ -	\$ -	\$ 201	\$ 201	\$ 1,175

Beal City Public Schools
Agency Fund
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2004

	Due to Student Groups July 1, 2003	Cash Receipts	Cash Disbursements	Due to Student Groups June 30, 2004
Activity Funds				
Academic activities	\$ 3,741	\$ -	\$ 3,741	\$ -
Athletic account	1,256	5,204	2,616	3,844
Athletic physicals	1,992	-	-	1,992
Band	382	8,514	8,778	118
Baseball	535	5,588	4,499	1,624
Basketball - Boys	646	11,233	11,209	670
Basketball - Girls	398	3,068	1,492	1,974
Books	2,446	-	2,446	-
B.P.A.	785	1,899	1,927	757
Camp	5,105	26,303	21,860	9,548
Cheerleading	392	2,322	1,418	1,296
Class of 1992	75	-	-	75
Class of 1998	196	-	191	5
Class of 1999	83	-	-	83
Class of 2000	341	-	-	341
Class of 2001	301	-	-	301
Class of 2002	1,216	-	-	1,216
Class of 2003	54	-	-	54
Class of 2004	1,206	663	1,166	703
Class of 2005	2,733	2,050	4,761	22
Class of 2006	1,745	3,372	2,233	2,884
Class of 2006	2,078	265	323	2,020
Class of 2008	1,021	195	50	1,166
Close up	301	10,869	10,778	392
Computer class	67	-	67	-
Cross country	-	480	390	90
Drama	1,097	1,274	1,112	1,259
Miscellaneous - elementary	3,273	11,386	10,288	4,371
Elementary teachers account	13,118	7,582	10,435	10,265
Elementary student council	200	-	200	-
English class	583	-	583	-
Football	1,991	11,720	7,957	5,754
FFA	401	10,749	11,116	34
German Links Program	60	-	60	-
Jazz band	2	-	2	-
Jr. high student council	1	-	1	-
Key account	-	500	300	200
Library	663	9,069	6,565	3,167
Men's athletics	225	-	225	-
Milk machine	542	2,133	1,406	1,269
Miscellaneous	297	-	297	-
National honor society	595	3,211	3,235	571
Natural helpers	-	330	-	330
Pep Club	1,287	-	1,287	-
Principal	249	9,020	6,437	2,832
S.A.D.D.	716	2,172	1,882	1,006
Softball	819	1,510	641	1,688
Student council	2,500	2,340	2,217	2,623
Tempo club	-	761	600	161
Track - men's	-	1,470	247	1,223
Track - women's	-	1,620	356	1,264
Volleyball	324	3,055	1,116	2,263
Wrestling	1,828	2,379	1,180	3,027
Yearbook	4,386	11,968	13,046	3,308
Youth in government	638	4,231	4,846	23
Junior Achievement	87	2,601	2,683	5
Project Pals	3,526	540	1,716	2,350
TOTAL ACTIVITY FUNDS	\$ 68,503	\$ 183,646	\$ 171,981	\$ 80,168

Beal City Public Schools
Schedule of Bonded Indebtedness
June 30, 2004

DATE OF ISSUE - FEBRUARY 1, 1996

ORIGINAL AMOUNT OF ISSUE - \$ 325,000

PURPOSE OF ISSUE - Erecting and furnishing additions to and partially remodeling the existing school building, acquiring, installing, equipping, and re-equipping school facilities, in part for technology purposes, and improving the site.

<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Annual Maturity May 1st</u>	<u>Semi-Annual Interest Payments</u>		<u>Total Fiscal Year Requirements</u>
			<u>November 1st</u>	<u>May 1st</u>	
4.625%	2004-05	\$ <u>175,000</u>	\$ <u>4,047</u>	\$ <u>4,047</u>	\$ <u>183,094</u>

Beal City Public Schools
Schedule of Bonded Indebtedness
June 30, 2004

DATE OF ISSUE - NOVEMBER 1998

ORIGINAL AMOUNT OF ISSUE - \$ 47,228

PURPOSE OF ISSUE - Settlement for Durant.

<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Annual Principal Maturity May 15th</u>	<u>Annual Interest Payment May 15th</u>	<u>Total Fiscal Year Requirements</u>
4.761%	2004-05	\$ -	\$ -	\$ -
4.761%	2005-06	2,286	1,030	3,316
4.761%	2006-07	10,924	4,726	15,650
4.761%	2007-08	2,509	808	3,317
4.761%	2008-09	2,628	688	3,316
4.761%	2009-10	2,753	563	3,316
4.761%	2010-11	2,885	432	3,317
4.761%	2011-12	3,022	295	3,317
4.761%	2012-13	<u>3,166</u>	<u>151</u>	<u>3,317</u>
		\$ <u><u>30,173</u></u>	\$ <u><u>8,693</u></u>	\$ <u><u>38,866</u></u>

Beal City Public Schools
Schedule of Bonded Indebtedness
June 30, 2004

DATE OF ISSUE - JANUARY 7, 2002

ORIGINAL AMOUNT OF ISSUE - \$ 1,690,000

PURPOSE OF ISSUE - Constructing, improving and equipping outdoor athletic and physical education facilities providing for baseball, softball, football, track and field, spectator seating and press box; constructing and equipping a new concession/ticket/restroom facility; and developing the site.

Interest Rate	Fiscal Year	Annual Maturity		Semi-Annual Interest Payments		Total Fiscal Year Requirements
		May 1st	November 1st	May 1st	May 1st	
4.125%	2004-05	\$ 50,000	\$ 38,581	\$ 38,581	\$	127,162
4.250%	2005-06	50,000	37,550	37,550		125,100
4.250%	2006-07	50,000	36,487	36,488		122,975
4.250%	2007-08	50,000	35,425	35,425		120,850
4.250%	2008-09	60,000	34,362	34,363		128,725
4.250%	2009-10	60,000	33,087	33,088		126,175
4.500%	2010-11	65,000	31,813	31,813		128,626
4.750%	2011-12	65,000	30,350	30,350		125,700
4.750%	2012-13	65,000	28,806	28,806		122,612
4.750%	2013-14	75,000	27,263	27,263		129,526
4.750%	2014-15	75,000	25,481	25,481		125,962
5.000%	2015-16	75,000	23,700	23,700		122,400
5.000%	2016-17	75,000	21,825	21,825		118,650
5.000%	2017-18	75,000	19,950	19,950		114,900
5.000%	2018-19	75,000	18,075	18,075		111,150
5.000%	2019-20	80,000	16,200	16,200		112,400
5.000%	2020-21	80,000	14,200	14,200		108,400
5.000%	2021-22	80,000	12,200	12,200		104,400
5.100%	2022-23	80,000	10,200	10,200		100,400
5.100%	2023-24	80,000	8,160	8,160		96,320
5.100%	2024-25	80,000	6,120	6,120		92,240
5.100%	2025-26	80,000	4,080	4,080		88,160
5.100%	2026-27	80,000	2,040	2,040		84,080
		\$ <u>1,605,000</u>	\$ <u>515,955</u>	\$ <u>515,958</u>	\$	<u>2,636,913</u>

Beal City Public Schools
Schedule of Bonded Indebtedness
June 30, 2004

DATE OF ISSUE - APRIL 26, 2004

ORIGINAL AMOUNT OF ISSUE - \$ 4,570,000

PURPOSE OF ISSUE - Refunding Bond.

Interest Rate	Fiscal Year	Annual Maturity May 1st	Semi-Annual Interest Payments		Total Fiscal Year Requirements
			November 1st	May 1st	
2.000%	2004-05	\$ 45,000	\$ 77,527	\$ 75,431	\$ 197,958
2.000%	2005-06	230,000	74,981	74,981	379,962
2.000%	2006-07	245,000	72,681	72,681	390,362
2.500%	2007-08	260,000	70,231	70,231	400,462
2.500%	2008-09	265,000	66,981	66,981	398,962
3.000%	2009-10	275,000	63,669	63,669	402,338
3.000%	2010-11	280,000	59,544	59,544	399,088
3.500%	2011-12	295,000	55,344	55,344	405,688
3.500%	2012-13	305,000	50,181	50,181	405,362
3.500%	2013-14	300,000	44,844	44,844	389,688
3.500%	2014-15	300,000	39,594	39,594	379,188
3.650%	2015-16	300,000	34,344	34,344	368,688
3.750%	2016-17	300,000	28,869	28,869	357,738
3.850%	2017-18	300,000	23,244	23,244	346,488
3.950%	2018-19	295,000	17,469	17,469	329,938
4.000%	2019-20	290,000	11,643	11,643	313,286
4.100%	2020-21	<u>285,000</u>	<u>5,843</u>	<u>5,843</u>	<u>296,686</u>
		\$ <u><u>4,570,000</u></u>	\$ <u><u>796,989</u></u>	\$ <u><u>794,893</u></u>	\$ <u><u>6,161,882</u></u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Members of the Board of Education
Beal City Public Schools
Mt. Pleasant, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for Beal City Public Schools as of and for the year ended June 30, 2004, which collectively comprise the Beal City Public Schools' basic financial statements and have issued our report thereon dated August 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Beal City Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beal City Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Board of Education of Beal City Public Schools in a separate letter dated August 5, 2004.

This report is intended for the information of the Board of Education, management and related regulatory agencies and is not intended for and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
August 5, 2004



7810 N. Alger Rd.
Alma, MI 48801
Phone (989) 463-6108
Fax (989) 463-8560

August 5, 2004

To the Board of Education
Beal City Public Schools
Mt. Pleasant, Michigan

In planning and performing our audit of the general purpose financial statements of Beal City Public Schools for the year ended June 30, 2004, we considered the District's internal control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. As a result of the aforementioned study, we became aware of the following matters that are an opportunity for strengthening internal control and operating efficiency. The following summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated August 5, 2004 on the financial statements of Beal City Public Schools.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

ATHLETIC RECEIPTS

Upon our review of the receipts system in the area of athletics, we noted that tickets were not being used at athletic events. It is our recommendation that the District implements a ticket log sheet and distributes tickets at all athletic events to strengthen internal controls. The tickets should be torn in half so that they cannot be reused. We also recommend preparing a reconciliation of tickets sold to money collected for each athletic event. A ticket log sheet and reconciliation will add as another checks and balances to the athletic receipt system.

CASH MANAGEMENT

During the audit we inquired about the policies and procedures regarding segregation of duties. We noted that the bookkeeper receives and opens the bank statements and she is also preparing the bank reconciliations. We recommend that the Superintendent or a board member open the bank statements every month to review the cleared check images and any transfers before the bookkeeper prepares the monthly bank reconciliations.

INTERNAL ACCOUNTS

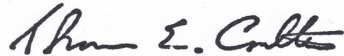
We recommend that the District implement computerized accounting software to maintain the District's internal accounts. Computerized software will allow the District to print monthly reports, prepare the bank reconciliations and eliminate addition and subtraction errors that often occur when manual records are kept.



We will review the status of these comments during our next audit engagement. We will be happy to discuss with you, at your convenience, any accounting or reporting issues for which you would like additional information or guidance. We are grateful for the opportunity to be of service to the District and would appreciate any referrals or recommendations you might have for ways that we can improve our service to you.

Sincerely,

YEO & YEO, P.C.
CPAs and Business Consultants

A handwritten signature in black ink, reading "Thomas E. Coulter". The signature is fluid and cursive, with the first name "Thomas" being more prominent than the last name "Coulter".

Thomas E. Coulter, CPA